

Auditing Procedures Report

Instructions and MuniCodes

*-Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* TOWNSHIP OF ALAIEDON	County* INGHAM	Type* TOWNSHIP	MuniCode* 33-1-010
Opinion Date-Use Calendar* Oct 24, 2008	Audit Submitted-Use Calendar* 10/30/08	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 681,834.00
General Fund Expenditure:	\$ 524,994.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,161,444.00
Governmental Activities Long-Term Debt (see instructions):	\$ 1,280,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* VICKIE	Last Name* CROUCH	Ten Digit License Number* 1101013436		
CPA Street Address* 1000 COOLIDGE RD	City* EAST LANSING	State* MI	Zip Code* 48823	Telephone* 517-332-19
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TOWNSHIP OF ALAIEDON, MICHIGAN
INGHAM COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
AND
INDEPENDENT AUDITORS' REPORT

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Township Board
Township of Alaiedon
Mason, Michigan

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Alaiedon, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Alaiedon, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Township of Alaiedon, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2008 on our consideration of the Township of Alaiedon, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 3 through 7 and 43 through 44 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Alameda, Michigan's basic financial statements. The accompanying introductory section, supplemental financial information, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of Alameda, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
October 24, 2008

ALAIEDON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF 2008 ANNUAL AUDIT REPORT

I. Using This Report.

This annual audit report consists of a series of financial statements. The Statement of Net Assets provides financial information about the activities of the Township as a whole and presents a long-term view of the Township's finances. Fund financial statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

· **Governmental Funds** – Most of the Township's basic services are reported in governmental funds which focus on how money flows in to and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement presented with the fund financial statements.

· **Proprietary Funds** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary Fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the proprietary fund statement of net assets to the business-type column on the government-wide statement of net assets, the total net assets and liabilities agree.

· **Fiduciary Funds** – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

· **Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

· **Other Information** – In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General Fund. The combining statements in connection with non-major governmental funds are presented immediately following the notes to financial statements.

II. The Township as a Whole.

The Township's combined net assets increased by \$107,150. Property tax revenues increased by 5%. On the expenditure side, public safety expenses increased by \$20,429 and expenditures on public works decreased by approximately \$83,349. The table below shows the statement of net assets for the Township in the new accounting format for the year ended June 30, 2008.

TOWNSHIP OF ALAIEDON
CONDENSED STATEMENT OF NET ASSETS

JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2008 TOTALS	2007 TOTALS
ASSETS				
Current and other assets	\$ 2,676,564	\$ 1,379,027	\$ 4,055,591	\$ 4,081,639
Capital assets (net of accumulated depreciation)	<u>376,742</u>	<u>1,790,957</u>	<u>2,167,699</u>	<u>2,222,485</u>
TOTAL ASSETS	\$ <u>3,053,306</u>	\$ <u>3,169,984</u>	\$ <u>6,223,290</u>	\$ <u>6,304,124</u>
LIABILITIES				
Current liabilities	\$ 107,072	\$ 121,069	\$ 228,141	\$ 228,735
Noncurrent liabilities	<u>1,202,546</u>	<u>1,260,000</u>	<u>2,462,546</u>	<u>2,649,936</u>
TOTAL LIABILITIES	<u>1,309,618</u>	<u>1,381,069</u>	<u>2,690,687</u>	<u>2,878,671</u>
NET ASSETS				
Invested in capital assets, net of related debt	376,742	425,957	802,699	752,485
Restricted for				
Bond and interest redemption	950,672		950,672	809,499
Debt service		1,362,958	1,362,958	1,453,600
Unrestricted	<u>416,274</u>	<u> </u>	<u>416,274</u>	<u>409,869</u>
TOTAL NET ASSETS	<u>1,743,688</u>	<u>1,788,915</u>	<u>3,532,603</u>	<u>3,425,453</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,053,306</u>	\$ <u>3,169,984</u>	\$ <u>6,223,290</u>	\$ <u>6,304,124</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operations, are \$416,274.
The following table shows the Changes in Net Assets for the year ended June 30, 2008.

TOWNSHIP OF ALAIEDON'S CHANGES IN NET ASSETS

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	2008 TOTALS	2007 TOTALS
Revenue				
Program revenue				
Charges for services	\$ 72,735	\$	\$ 72,735	\$ 75,516
General revenue				
Property taxes	278,394		278,394	263,169
Special assessments	11,550		11,550	30,335
Sales tax	214,108		214,108	214,355
Interest on Special Assessments	59,798	68,805	128,603	133,419
Miscellaneous	19,373		19,373	57,757
Unrestricted investment earnings	<u>74,665</u>	<u>15,647</u>	<u>90,312</u>	<u>93,565</u>
Total Revenues	<u>730,623</u>	<u>84,452</u>	<u>815,075</u>	<u>868,116</u>
Program Expenses				
General government	264,875		264,875	240,030
Public safety	127,486		127,486	107,057
Public works	61,048		61,048	144,397
Other	67,220		67,220	67,669
Depreciation	16,965		16,965	59,388
Interest on long-term debt	60,216		60,216	63,303
Water and sewer special assessment	<u> </u>	<u>110,115</u>	<u>110,115</u>	<u>74,440</u>
Total program expenses	<u>597,810</u>	<u>110,115</u>	<u>707,925</u>	<u>756,284</u>
Increase (decrease) in net assets	132,813	(25,663)	107,150	111,832
Net assets - July 1	<u>1,610,875</u>	<u>1,814,578</u>	<u>3,425,453</u>	<u>3,313,621</u>
Net assets - June 30	<u>\$ 1,743,688</u>	<u>\$ 1,788,915</u>	<u>\$ 3,532,603</u>	<u>\$ 3,425,453</u>

IV. **Governmental Activities.**

The Township's total governmental revenues for the General Fund was \$681,834. Actual revenues grew more than \$85,884 in excess of what was originally anticipated in the budget. There were significant increases in many of the revenue areas of the Township. Property tax revenues were \$20,244 higher than anticipated, and charges for services (i.e., administrative fees, fire run collections, and cemetery lot sales) accounted for an increase of over \$15,541 from what was anticipated when the budget was set. Also, other revenues were \$51,097 higher than budgeted. This was mainly due to Woodland Pass Special Assessment revenue of \$30,335 and actual interest revenue higher than budget by \$25,339.

On the expenditure side, expenditures were significantly less in certain areas, specifically in cemetery costs, which were approximately \$100,835 less than had been budgeted. In addition, election costs were almost \$6,597 less than budgeted, and public works had \$45,795 actual expenditures less than what was budgeted for. These represent the three areas that made up the greatest portion of the favorable variance between the final budgeted amounts and the actual expenditures in the amount of \$263,499.

V. **Business Type Activities.**

The Township's business type activities consist of the installation of water mains and sewer lines primarily within that portion of the property north of I-96 and west of Okemos Road in the northwest quadrant of the Township. With agreements with the Board of Water & Light for water and the City of Lansing for sewer, the Township has contracted that a certain number of parcels, principally commercial, shall receive water and sewer services. The Township also has an agreement with Meridian Township for the provision of water and sewer services to a small portion of commercial property to the east of Okemos Road and also north of I-96. Except for an administrative fee for the issuance of permits within the Meridian Township district, the Township derives no income from these funds.

Consequently, the financial activity set forth in these funds represents the payment of construction costs for the construction of the public infrastructure and the payment of the bonds, reflected as expenditures, and the collection of special assessments against the unimproved properties, within the various districts, reflecting revenues to the Township.

VI. **Township Funds.**

The analysis of the Township's major funds begins on page 14, showing the combined balance sheet for all fund types and account groups within the Township. Fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board has created funds to help manage money as required by law. These separate funds also assist in showing accountability for certain activities. The Township's major funds for 2008 include the General Fund, the H & H Water Assessment Bonds, and Fountain Pointe Assessment Bonds.

The General Fund pays for most of the Township's governmental services. The largest expenses are the office expenses, which provide the general accounting and clerical support for the Township activities. After Office Expenses, Building and Grounds, Assessing, and Cemetery Expenses represent the greatest expenditures from the General Fund for general services.

VII. **Capital Assets and Debt Administration.**

The capital assets as reflected in the report show fixed assets acquired by the Township. The capital assets of land, land improvements, and buildings and furniture and fixtures, principally describes the Township Hall and the land on which it is located, the Township cemeteries and the equipment used to maintain the cemeteries, the Township vehicles principally used for the maintenance of the Township grounds and cemeteries, and certain unimproved land owned by the Township. The remaining fixed assets are a water system and sewer system installed in the northwest quadrant of the Township. Those infrastructure assets now provide water and sewer services for the principally commercial development north of I-96 and west of Okemos Road.

The only bonded indebtedness of the Township relates to the special assessment bonds (described more fully below) for the payment of the infrastructure improvements in the northwest quadrant. Bonds have been sold which financed the sanitary sewer, water, and road and storm sewer projects. Each series of bonds (sanitary sewer bonds, water bonds, and road and storm sewer bonds) are accounted for separately but their combined totals are reflected as the overall indebtedness of the Township. Except for those special assessment bonds, there are no other general obligation bonds or revenue bonds issued by the Township.

At the end of fiscal year 2007/2008, the Township had approximately \$376,742 invested in land, land improvements, buildings, water and sewer lines, vehicles and equipment. See Note 4 to the basic financial statements for additional information.

Debt reported in Note 7 to these financial statements is related to the Special Assessment bonds. Special Assessment bonds are carried by the Township to finance the property owner portion of the sanitary sewer, water and road and storm sewer improvement projects. The assessments are paid back to the Township with sufficient interest to cover the bond interest rate and administrative costs. The outstanding balance of these Special Assessment General Obligation bonds at June 30, 2008 was \$1,280,000. As described in Note 11, the Township has a lease agreement with the County of Ingham for construction a sanitary sewer system. The County sold bonds for this project and the Township is paying back the County for the principal and interest of these bonds. On the remaining water and road and storm drain projects, the Township sold the bonds directly and not through the County. The outstanding balance as of June 30, 2008 of the lease payable was \$1,365,000.

VIII. General Fund Budgetary Highlights.

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant change was the increase in general government expenditures. In addition, all of the Township departments stayed below budget representing a substantial improvement in the fund balance from what had been anticipated at the beginning of the fiscal year.

In the 2008-2009 fiscal year, the Alameda Township Board hopes to complete construction on an accessory building for the Leek Cemetery, located on Dobie Road.

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

TOWNSHIP OF ALAIEDON, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 794,078	\$ 128,329	\$ 922,407
Investments	889,284	304,518	1,193,802
Receivables			
Accounts	5,392		5,392
Special assessments	950,413	941,648	1,892,061
Accrued interest receivable	4,441	4,532	8,973
Due from			
Other funds	10		10
State	32,946		32,946
Capital assets (net of accumulated depreciation)	<u>376,742</u>	<u>1,790,957</u>	<u>2,167,699</u>
TOTAL ASSETS	<u><u>\$ 3,053,306</u></u>	<u><u>\$ 3,169,984</u></u>	<u><u>\$ 6,223,290</u></u>
LIABILITIES			
Current liabilities			
Payables			
Accounts	\$ 13,904	\$	\$ 13,904
Payroll and payroll taxes	729		729
Accrued interest	9,439	16,069	25,508
Bonds and notes payable	80,000		80,000
Deposits payable	3,000		3,000
Lease payable		105,000	105,000
Noncurrent liabilities			
Bonds and notes payable	1,200,000		1,200,000
Lease payable		1,260,000	1,260,000
Accrued sick and vacation pay	<u>2,546</u>		<u>2,546</u>
TOTAL LIABILITIES	<u>1,309,618</u>	<u>1,381,069</u>	<u>2,690,687</u>
NET ASSETS			
Invested in capital assets, net of related debt	376,742	425,957	802,699
Restricted for			
Bond and interest redemption	950,672		950,672
Debt service		1,362,958	1,362,958
Unrestricted	<u>416,274</u>		<u>416,274</u>
TOTAL NET ASSETS	<u>1,743,688</u>	<u>1,788,915</u>	<u>3,532,603</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,053,306</u></u>	<u><u>\$ 3,169,984</u></u>	<u><u>\$ 6,223,290</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

		PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
	EXPENSES		
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental Activities			
General government	\$ 281,840	\$ 48,041	\$
Public safety	127,486		
Public works	61,048	24,694	
Other	67,220		
Interest on long-term debt	60,216		
Total Governmental Activities	<u>597,810</u>	<u>72,735</u>	
Business-Type Activities			
Water and Sewer Special Assessment	<u>110,115</u>		
Total Primary Government	<u>\$ 707,925</u>	<u>\$ 72,735</u>	<u>\$</u>
General Revenues and Transfers			
Property taxes levied for general purposes			
Special assessment revenues			
State shared revenue			
Interest on special assessments			
Miscellaneous			
Unrestricted investment earnings			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets, July 1			
Net Assets, June 30			

See accompanying notes to financial statements.

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE	TOTAL
		ACTIVITIES	
\$	\$ (233,799)	\$	\$ (233,799)
	(127,486)		(127,486)
	(36,354)		(36,354)
	(67,220)		(67,220)
	(60,216)		(60,216)
	(525,075)		(525,075)
		(110,115)	(110,115)
\$	(525,075)	(110,115)	(635,190)
	278,394		278,394
	11,550		11,550
	214,108		214,108
	59,798	68,805	128,603
	19,373		19,373
	74,665	15,647	90,312
	657,888	84,452	742,340
	132,813	(25,663)	107,150
	1,610,875	1,814,578	3,425,453
\$	\$ 1,743,688	\$ 1,788,915	\$ 3,532,603

TOWNSHIP OF ALAIEDON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

ASSETS

	GENERAL	H & H WATER ASSESSMENT BONDS	FOUNTAIN POINTE ASSESSMENT BONDS	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
ASSETS					
Cash	\$ 538,860	\$ 87,181	\$ 56,118	\$ 111,919	\$ 794,078
Investments	595,058	92,423	201,803		889,284
Receivables					
Accounts	5,392				5,392
Special assessments		405,672	544,741		950,413
Accrued interest receivable	2,811	510	1,120		4,441
Due from					
Other funds	1,010				1,010
State	32,946				32,946
TOTAL ASSETS	<u>\$ 1,176,077</u>	<u>\$ 585,786</u>	<u>\$ 803,782</u>	<u>\$ 111,919</u>	<u>\$ 2,677,564</u>

LIABILITIES AND FUND BALANCE

LIABILITIES					
Payables					
Accounts	\$ 13,904	\$	\$	\$	\$ 13,904
Payroll and payroll taxes	729				729
Due to other funds				1,000	1,000
Deposits payable				3,000	3,000
Deferred revenue		405,672	544,741		950,413
TOTAL LIABILITIES	<u>14,633</u>	<u>405,672</u>	<u>544,741</u>	<u>4,000</u>	<u>969,046</u>
FUND BALANCE					
Reserved for					
building department	19,794				19,794
Reserved for debt service		180,114	259,041	16,511	455,666
Unreserved, reported in					
General fund	1,141,650				1,141,650
Special revenue fund				1,312	1,312
Capital projects funds				90,096	90,096
TOTAL FUND BALANCE	<u>1,161,444</u>	<u>180,114</u>	<u>259,041</u>	<u>107,919</u>	<u>1,708,518</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,176,077</u>	<u>\$ 585,786</u>	<u>\$ 803,782</u>	<u>\$ 111,919</u>	<u>\$ 2,677,564</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balance - governmental funds		\$ 1,708,518
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$856,506 and the accumulated depreciation is \$479,764.		376,742
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	\$ (1,280,000)	
Accrued interest	(9,439)	
Compensated absences	<u>(2,546)</u>	(1,291,985)
Deferred revenue		<u>950,413</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		\$ <u><u>1,743,688</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL	H & H WATER ASSESSMENT BONDS	FOUNTAIN POINTE ASSESSMENT BONDS	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
REVENUES					
Taxes and special assessments	\$ 278,394	\$ 74,749	\$ 36,089	\$	\$ 389,232
Licenses and permits	24,694				24,694
Intergovernmental	214,108				214,108
Charges for services	48,041				48,041
Interest	55,339	33,541	43,330	2,253	134,463
Other revenues	61,258				61,258
TOTAL REVENUES	<u>681,834</u>	<u>108,290</u>	<u>79,419</u>	<u>2,253</u>	<u>871,796</u>
EXPENDITURES					
General government	269,465				269,465
Public safety	127,486				127,486
Public works	61,048				61,048
Debt service					
Principal retirement		35,000	45,000		80,000
Interest and fiscal charges		25,263	35,470		60,733
Other	66,995		225		67,220
TOTAL EXPENDITURES	<u>524,994</u>	<u>60,263</u>	<u>80,695</u>		<u>665,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	156,840	48,027	(1,276)	2,253	205,844
FUND BALANCE, JULY 1	<u>1,004,604</u>	<u>132,087</u>	<u>260,317</u>	<u>105,666</u>	<u>1,502,674</u>
FUND BALANCE, JUNE 30	<u>\$ 1,161,444</u>	<u>\$ 180,114</u>	<u>\$ 259,041</u>	<u>\$ 107,919</u>	<u>\$ 1,708,518</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Net changes in fund balance - total governmental funds	\$ 205,844
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	2,200
Less: current year depreciation	(16,965)
Revenues in the individual funds that provide current financial resources that were previously reported as revenues in the statement of activities	(141,173)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	
Accrued interest	517
Principal payments	80,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in long-term compensated absences	2,390
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>132,813</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
WATER AND SEWER SPECIAL ASSESSMENT
JUNE 30, 2008

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 128,329
Certificates of deposit	304,518
Accrued interest receivable	4,532
Special assessment receivable - current	72,434
TOTAL CURRENT ASSETS	<u>509,813</u>
PROPERTY, PLANT AND EQUIPMENT	
Utility mains	2,001,069
Less: accumulated depreciation	210,112
NET PROPERTY, PLANT AND EQUIPMENT	<u>1,790,957</u>
OTHER ASSETS	
Special assessment receivable	869,214
TOTAL ASSETS	<u><u>\$ 3,169,984</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accrued interest payable	\$ 16,069
Lease payable	105,000
TOTAL CURRENT LIABILITIES	<u>121,069</u>
LONG-TERM LIABILITIES	
Lease payable	1,260,000
TOTAL LIABILITIES	<u>1,381,069</u>
CONTRIBUTED CAPITAL	
Taxpayers	309,305
NET ASSETS	
Invested in capital assets, net of related debt	425,957
Reserved for debt service	1,053,653
TOTAL NET ASSETS	<u>1,479,610</u>
TOTAL NET ASSETS	
AND CONTRIBUTED CAPITAL	<u>1,788,915</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,169,984</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
WATER AND SEWER SPECIAL ASSESSMENT
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING EXPENSES	
Depreciation	\$ 40,021
OPERATING LOSS	<u>(40,021)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest received on special assessments	68,805
Interest earned	15,647
Interest expense	<u>(70,094)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>14,358</u>
NET LOSS	(25,663)
NET ASSETS, JULY 1	<u>1,814,578</u>
NET ASSETS, JUNE 30	<u><u>\$ 1,788,915</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
WATER AND SEWER SPECIAL ASSESSMENT
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ <u>184,296</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in investment	4,944
Special assessment interest income	68,805
Interest income	<u>15,489</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>89,238</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on debt	(105,000)
Interest and fiscal charges	<u>(71,203)</u>
NET CASH USED IN CAPTIAL AND	
RELATED FINANCING ACTIVITIES	<u>(176,203)</u>
NET INCREASE IN CASH AND	
CASH EQUIVALENTS	97,331
CASH AND CASH EQUIVALENTS, JULY 1	<u>30,998</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 128,329</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
 STATEMENT OF CASH FLOWS - Concluded
 PROPRIETARY FUNDS
 BUSINESS-TYPE ACTIVITIES
 ENTERPRISE FUNDS
 WATER AND SEWER SPECIAL ASSESSMENT
 FOR THE YEAR ENDED JUNE 30, 2008

RECONCILIATION OF OPERATING
 LOSS TO NET CASH PROVIDED
 BY OPERATING ACTIVITIES

Operating loss	\$ <u>(40,021)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	40,021
(Increase) decrease in assets	
Decrease in special assessment receivable	<u>184,296</u>
TOTAL NET ADJUSTMENTS	<u>224,317</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>184,296</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	TRUST AND AGENCY	CURRENT TAX	TOTAL FIDUCIARY FUNDS
ASSETS			
Cash	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>
FUND BALANCE			
Unreserved-undesignated	<u> </u>	<u> </u>	<u> </u>
 TOTAL LIABILITIES AND FUND BALANCE	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ <u>4,312</u>	\$ <u>16,511</u>	\$ <u>91,096</u>	\$ <u>111,919</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$	\$	\$ 1,000	\$ 1,000
Deposit payable	<u>3,000</u>	<u></u>	<u></u>	<u>3,000</u>
TOTAL LIABILITIES	<u>3,000</u>	<u></u>	<u>1,000</u>	<u>4,000</u>
 FUND BALANCE				
Undesignated	1,312		6,358	7,670
Reserved for capital projects			83,738	83,738
Reserved for debt service	<u></u>	<u>16,511</u>	<u></u>	<u>16,511</u>
TOTAL FUND BALANCE	<u>1,312</u>	<u>16,511</u>	<u>90,096</u>	<u>107,919</u>
 TOTAL LIABILITIES AND FUND BALANCE	\$ <u>4,312</u>	\$ <u>16,511</u>	\$ <u>91,096</u>	\$ <u>111,919</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Interest and rentals	\$ <u>65</u>	\$ <u>116</u>	\$ <u>2,072</u>	\$ <u>2,253</u>
EXPENDITURES				
Other	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER EXPENDITURES	65	116	2,072	2,253
FUND BALANCE, JULY 1	<u>1,247</u>	<u>16,395</u>	<u>88,024</u>	<u>105,666</u>
FUND BALANCE, JUNE 30	\$ <u><u>1,312</u></u>	\$ <u><u>16,511</u></u>	\$ <u><u>90,096</u></u>	\$ <u><u>107,919</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under an elected Township Board, which consists of five members. The Township provides services to its more than 3,000 residents in many areas including public safety, fire protection, parks and recreation, planning, zoning and general and administrative services.

The accounting policies of the Township of Alaiedon, Michigan, conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

The Township has considered all potential component units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit, legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township.

The financial entity of the Township of Alaiedon includes all funds and account groups of the Township. The Township has no activities that would be classified as a component unit.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township of Alaiedon. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements - Concluded

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus , Basis of Accounting and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township of Alaiedon.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus , Basis of Accounting and Financial Statements - Concluded

The Township of Alaiedon reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

The H&H Water Assessment Bond fund is used to account for the resources accumulated and payments made for principal and interest payments on these bonds.

The Fountain Pointe Road Construction project is used to account for expenditures for the road construction project.

The Township reports deferred revenue on its governmental funds balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough thereafter to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year end.

The Township of Alaiedon reports the following major proprietary funds:

The Water and Sewer Special Assessment fund accounts for the activities and operations of the sewage infrastructure and for payments for bonds to the County of Ingham, Michigan.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township of Alaiedon has elected not to follow subsequent private-sector guidance.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Cash and Investments

The Township's cash is considered to be cash on hand, demand deposits, and non-negotiable certificates of deposit with an original maturity of 3 months or less.

All investments are stated at cost or amortized cost.

E. Receivables

Receivables have been recognized for all significant amounts due the Township. No allowances have been made for uncollectible amounts, because if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Alaiedon as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvements	10-20 years
Buildings	10-40 years
Machinery and equipment	5-20 years
Vehicles	3-10 years
Utility infrastructure	10-40 years
Furniture	5-10 years

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

H. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Township holds a special meeting to develop the budget for the General Fund for the following fiscal year. Public hearings are conducted to obtain taxpayer comments before the budget is formally adopted.
2. Any revision to the budget must be approved by the Township Board.
3. Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended.
4. All annual appropriations lapse at year end.

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

J. Statement of Cash Flows

In the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

K. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2: PROPERTY TAXES

The Township is authorized by State Statute and the Township Charter to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental operating purposes. The combined tax rate to finance governmental services for the year ended June 30, 2008, was .8406 per \$1,000. The total property tax levy for the 2007 tax year was approximately \$175,908.

Pertinent tax dates are as follows:

Lien date	12/01/07
Levy date	12/01/07
Due date without penalty	02/14/08
Collection date	07/01/07 – 02/28/08

NOTE 3: CASH AND INVESTMENTS

A reconciliation of cash and investments follows:

Government-Wide Statement of Net Assets	
Cash	\$ 922,407
Investments	<u>1,193,802</u>
	<u>2,116,209</u>
Statement of Fiduciary Net Assets	
Cash	<u>10</u>
	<u>\$ 2,116,219</u>

A summary by type are:

Deposits	
Cash in demand accounts	\$ 510,555
Imprest cash	147
Cash in savings accounts/ money market	411,715
Investments	
Certificates of deposit	<u>1,193,802</u>
	<u>\$ 2,116,219</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 3: CASH AND INVESTMENTS - Continued

Deposits

At June 30, 2008, the banks were carrying a cash balance of \$926,222 not including any pooled investment funds. Of this amount, \$288,141 was debt service money and \$638,081 was for Township activities other than debt service. These deposit classifications are covered by Federal Depository Insurance as follows:

DEPOSITS	BANK BALANCE
Insured	\$ 217,149
Uninsured and uncollateralized	<u>709,073</u>
	<u>\$ 926,222</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2008, the Township's bank balance of \$926,222 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 709,073</u>
--------------------------------	-------------------

Investments

Act 196, P. A. 1997, authorizes the Township to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Bonds, securities and other direct obligations of the United States or its agencies.
- (d) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 3: CASH AND INVESTMENTS - Concluded

- (e) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (f) Repurchase agreements consisting of instruments listed in subdivision (a).
- (g) Bankers' acceptance of United States banks.
- (h) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (i) Certain mutual funds as defined in the Act.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposit of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Investments of the Township are in accordance with statutory authority.

At June 30, 2008, the Township's investments bank balance of \$1,193,802 was exposed to custodial credit risk as follows:

Insured	\$ 282,851
Uninsured and uncollateralized	<u>910,951</u>
	<u>\$ 1,193,802</u>

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The Township has adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.

In October, 2008, U.S. Congress passed the Emergency Economic Stabilization Act of 2008. One of the components of this act is the temporary increase of FDIC coverage to \$250,000 per account.

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 4: CAPITAL ASSETS

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
Capital assets not being depreciated				
Land	\$ <u>108,217</u>	\$ _____	\$ _____	\$ <u>108,217</u>
Capital assets being depreciated				
Buildings	412,135			412,135
Improvements	22,447			22,447
Machinery and equipment	89,263	11,983	12,229	89,017
Furniture	34,309			34,309
Infrastructure	88,166			88,166
Land improvements	76,767			76,767
Vehicles	<u>25,448</u>	_____	_____	<u>25,448</u>
Total capital assets being depreciated	<u>748,535</u>	<u>11,983</u>	<u>12,229</u>	<u>748,289</u>
Less: accumulated depreciation				
Buildings	229,114	5,897		235,011
Improvements	16,903	1,869		18,772
Machinery and equipment	76,990	2,891	2,446	77,435
Furniture	33,890	266		34,156
Infrastructure	50,695	2,204		52,899
Land improvements	32,206	3,838		36,044
Vehicles	<u>25,447</u>	_____	_____	<u>25,447</u>
Total accumulated depreciation	<u>465,245</u>	<u>16,965</u>	<u>2,446</u>	<u>479,764</u>
Total capital assets being depreciated - net	<u>283,290</u>	(<u>4,982</u>)	<u>9,783</u>	<u>268,525</u>
NET CAPITAL ASSETS	\$ <u>391,507</u>	\$(<u>4,982</u>)	\$ <u>9,783</u>	\$ <u>376,742</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ <u>16,965</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 4: CAPITAL ASSETS - Concluded

Capital assets for business-type activities have been summarized as follows:

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Infrastructure	\$ 2,001,069	\$	\$	\$ 2,001,069
Less: accumulated depreciation				
Infrastructure	<u>170,091</u>	<u>40,021</u>	<u> </u>	<u>210,112</u>
TOTAL CAPITAL ASSETS				
BEING DEPRECIATED	<u>\$ 1,830,978</u>	<u>\$ (40,021)</u>	<u> </u>	<u>\$ 1,790,957</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
Water and Sewer Special Assessment	\$ <u>40,021</u>

NOTE 5: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

P.A. 621 of 1978 provides that local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the Township Board. P.A. 493 of 2002 removed debt service funds as funds requiring a budget. During the year ended June 30, 2008, Alaiedon Township incurred the following expenditures in excess of appropriations.

	FINAL BUDGET	ACTUAL	UNFAVORABLE VARIANCE
General fund			
Fire prevention	\$ 79,732	\$ 85,777	\$ (6,045)

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 6: ACCUMULATED UNPAID SICK AND VACATION PAY

Accumulated sick and vacation pay represents a contingent liability to the Township. Payments to employees for sick and vacation pay will be recorded as expenditures when the sick and vacation time is earned by the employees.

At June 30, 2008, the total accumulated sick and vacation pay was approximately \$2,546.

NOTE 7: LONG-TERM DEBT

The following is a summary of debt transactions for the Township for the year ended June 30, 2008.

	BALANCE, JULY 1	ADDITIONS	DEDUCTIONS	BALANCE, JUNE 30	DUE WITHIN ONE YEAR
GENERAL LONG-TERM DEBT					
2004 Special Assessment Water Bonds	\$ 570,000	\$	\$ 35,000	\$ 535,000	\$ 35,000
2004 Special Assessment Road Bonds	<u>790,000</u>	<u> </u>	<u>45,000</u>	<u>745,000</u>	<u>45,000</u>
TOTAL GENERAL LONG-TERM DEBT	<u>\$ 1,360,000</u>	<u>\$</u>	<u>\$ 80,000</u>	<u>\$ 1,280,000</u>	<u>\$ 80,000</u>

Significant detail regarding the outstanding long-term debt (including current portion) is presented below:

General Obligation Bonds

\$675,000 - 2004 Special Assessment Water Bonds due in annual installments of \$35,000 to \$40,000 through December 1, 2022; interest at 4.75% \$ 535,000

\$925,000 - 2004 Special Assessment Road Bonds due in annual installments of \$45,000 to \$50,000 through November 1, 2023; interest at 4.30% to 4.80% 745,000

\$ 1,280,000

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 7: LONG-TERM DEBT – Concluded

The annual requirements to amortize all debt outstanding, excluding vested sick and vacation pay as of June 30, 2008, are as follows:

		GENERAL OBLIGATION BONDS	
YEAR ENDING JUNE 30,			
2009	Principal	\$	80,000
	Interest		57,574
	Total		137,574
2010	Principal	\$	85,000
	Interest		54,325
	Total		139,325
2011	Principal		85,000
	Interest		50,776
	Total		135,776
2012	Principal		85,000
	Interest		47,190
	Total		132,190
2013	Principal		85,000
	Interest		43,588
	Total		128,588
2014-2018	Principal		425,000
	Interest		162,789
	Total		587,789
2019-2023	Principal		435,000
	Interest		64,108
	Total		499,108
Totals	Principal		1,280,000
	Interest		480,350
		\$	<u>1,760,350</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of the interfund receivables and payables as of June 30, 2008:

DUE FROM		DUE TO	
Road Account	\$ 1,000	General	\$ 1,010
Trust and Agency	<u>10</u>		<u> </u>
TOTAL	\$ <u>1,010</u>	TOTAL	\$ <u>1,010</u>

Interfund loans were made for cash flow purposes. For the statement of net assets, presentation of the interfund receivable and payables were netted for the General Fund to the Road Account.

NOTE 9: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for most risks of loss to which it is exposed.

NOTE 10: BUILDING DEPARTMENT FUND BALANCE RESERVE

For June 30, 2008, the Township accounted for the building department activities in the general fund. The revenues and expenditures from July 1, 2007 to June 30, 2008 for the building department were as follows:

REVENUES	
Building permits	\$ <u>17,514</u>
EXPENDITURES	
Salaries	21,310
Travel	1,509
Supplies	<u>386</u>
	<u>23,205</u>
DEFICIENCY OF REVENUES	
OVER EXPENDITURES	(5,691)
FUND BALANCE RESERVE FOR	
BUILDING DEPARTMENT, JULY 1	<u>25,485</u>
FUND BALANCE RESERVE FOR	
BUILDING DEPARTMENT, JUNE 30	\$ <u>19,794</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2008

NOTE 11: LEASE PAYABLE

During 2002, the Township entered into an agreement with the County of Ingham for constructing a water sewer system for the Township. The County sold bonds for \$1,980,000 to finance this project. The Township is paying the County as the bond principal and interest payments are due. Principal payments are \$105,000 per year plus interest of 4.0% to 5.10%. The bonds are due in April, 2021. The Township is assessing the citizens for the next 20 years. The lease payable balance was \$1,365,000 as of June 30, 2008.

The future minimum lease payments (including interest of \$536,655) are as follows:

YEAR ENDING	AMOUNT
JUNE 30,	
2009	\$ 169,628
2010	165,165
2011	160,702
2012	156,134
2013	151,410
Thereafter	<u>1,029,526</u>
	<u>\$ 1,832,565</u>

NOTE 12: FUND BALANCE/RETAINED EARNINGS RESERVES

FUND BALANCE

General Fund

Reserved for building department \$ 19,794

Debt Service Fund

Reserved for debt service \$ 455,666

Capital Projects Funds

Reserved for capital projects \$ 90,096

RETAINED EARNINGS

Enterprise Funds

Reserved for debt service \$ 1,788,915

TOWNSHIP OF ALAIEDON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Concluded
JUNE 30, 2008

NOTE 13: SEGMENT INFORMATION

The Township of Alaiedon has one enterprise fund which provides water and sewer services to its residents. The following is additional segment information not disclosed in the general-purpose financial statements as of and for the year ended June 30, 2008.

Operating loss	\$(40,021)
Net loss	(25,663)
Total assets	3,169,984
Property, plant and equipment - net	1,790,957
Long-term liabilities	1,260,000
Total liabilities	1,381,069
Total equity	1,788,915
Net change in cash flows	97,331
Net working capital	388,744

NOTE 14: FUND DEFICITS

There were no fund deficits for the year ended June 30, 2008.

NOTE 15: CONTRIBUTED CAPITAL

Contributed capital represents advance payments on special assessments from taxpayers. The contributed capital balance at June 30, 2008 is \$309,305. This contributed capital balance has been combined with the net asset balances for the statement of net assets.

NOTE 16: DEFERRED COMPENSATION PLAN (457)

The Township is the sponsor of a 457 Deferred Compensation Plan. All full time employees that have completed one year of service with the Township are eligible to participate. The Township's maximum contribution is up to 5% of annual employee wages. The Township made contributions to the plan of \$4,306 for the year ended June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUES				
Taxes				
Property taxes	\$ 173,150	\$ 173,150	\$ 178,992	\$ 5,842
City of Lansing - 425 agreement	85,000	85,000	99,402	14,402
Total Taxes	<u>258,150</u>	<u>258,150</u>	<u>278,394</u>	<u>20,244</u>
Licenses and Permits				
Permits	<u>24,500</u>	<u>24,500</u>	<u>24,694</u>	<u>194</u>
Intergovernmental				
Sales tax and miscellaneous	<u>215,300</u>	<u>215,300</u>	<u>214,108</u>	<u>(1,192)</u>
Charges for Services				
Hall rental	4,000	4,000	4,975	975
Trash collections	3,500	3,500	2,820	(680)
Fire run collections	12,000	12,000	20,479	8,479
Cemetery lot sales	<u>13,000</u>	<u>13,000</u>	<u>19,767</u>	<u>6,767</u>
Total Charges for Services	<u>32,500</u>	<u>32,500</u>	<u>48,041</u>	<u>15,541</u>
Other Revenues				
Interest on investments	30,000	30,000	55,339	25,339
Special assessments	15,000	15,000	41,885	26,885
Refunds and reimbursements	20,000	20,000	19,127	(873)
Miscellaneous	<u>500</u>	<u>500</u>	<u>246</u>	<u>(254)</u>
Total Other Revenues	<u>65,500</u>	<u>65,500</u>	<u>116,597</u>	<u>51,097</u>
TOTAL REVENUES	<u>595,950</u>	<u>595,950</u>	<u>681,834</u>	<u>85,884</u>

TOWNSHIP OF ALAIEDON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - Concluded

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
EXPENDITURES				
General Government				
Supervisor	\$ 16,550	\$ 16,550	\$ 15,340	\$ 1,210
Trustee	6,000	6,000	6,000	
Elections	9,700	9,700	3,103	6,597
Assessing	26,000	27,600	26,795	805
Clerk	13,100	13,100	13,000	100
Treasurer	9,200	9,200	9,023	177
Building and grounds	39,300	41,722	37,091	4,631
Cemetery	126,500	134,932	34,097	100,835
Office	109,200	126,192	123,869	2,323
Board of review	1,700	1,700	1,147	553
Total General Government	<u>357,250</u>	<u>386,696</u>	<u>269,465</u>	<u>117,231</u>
Public Safety				
Building inspections	23,000	23,894	23,205	689
Planning commission	20,500	20,840	18,164	2,676
Board of appeals	1,800	1,800	340	1,460
Fire prevention	78,000	79,732	85,777	(6,045)
Total Public Safety	<u>123,300</u>	<u>126,266</u>	<u>127,486</u>	<u>(1,220)</u>
Public Works				
Public services	<u>104,000</u>	<u>106,843</u>	<u>61,048</u>	<u>45,795</u>
Other Functions				
Township share of pension	5,500	5,500	4,306	1,194
Township share of FICA	13,000	13,000	11,726	1,274
Insurance - liability and bonding	15,000	15,000	13,849	1,151
Insurance - health	36,000	36,000	34,239	1,761
Workers' compensation	3,500	3,500	2,413	1,087
Miscellaneous		9,804	462	9,342
Total Other Functions	<u>73,000</u>	<u>82,804</u>	<u>66,995</u>	<u>15,809</u>
TOTAL EXPENDITURES	<u>657,550</u>	<u>702,609</u>	<u>524,994</u>	<u>177,615</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,600)	(106,659)	156,840	263,499
FUND BALANCE, JULY 1	<u>1,004,604</u>	<u>1,004,604</u>	<u>1,004,604</u>	
FUND BALANCE, JUNE 30	\$ <u>943,004</u>	\$ <u>897,945</u>	\$ <u>1,161,444</u>	\$ <u>263,499</u>

GENERAL FUND

The General Fund is used to account for resources traditionally associated with local government, and any other activity for which a special fund has not been created.

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

GENERAL FUND

JUNE 30, 2008

ASSETS

Cash and cash equivalents	\$ 538,860
Investments	595,058
Accounts receivable	5,392
Accrued interest receivable	2,811
Due from other funds	1,010
Due from other governmental units	32,946
TOTAL ASSETS	\$ 1,176,077

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 13,904
Accrued wages	729
TOTAL LIABILITIES	14,633

FUND BALANCE

Reserved - building department	19,794
Unreserved - undesignated	1,141,650
TOTAL FUND BALANCE	1,161,444

TOTAL LIABILITIES AND FUND BALANCE	\$ 1,176,077
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TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 258,150	\$ 278,394	\$ 20,244
Licenses and permits	24,500	24,694	194
Intergovernmental - state	215,300	214,108	(1,192)
Charges for services	32,500	48,041	15,541
Interest	30,000	55,339	25,339
Other	35,500	61,258	25,758
TOTAL REVENUES	<u>595,950</u>	<u>681,834</u>	<u>85,884</u>
EXPENDITURES			
General government	386,696	269,465	117,231
Public safety	126,266	127,486	(1,220)
Public works	106,843	61,048	45,795
Other	82,804	66,995	15,809
TOTAL EXPENDITURES	<u>702,609</u>	<u>524,994</u>	<u>177,615</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(106,659)	156,840	263,499
FUND BALANCE, JULY 1	<u>1,004,604</u>	<u>1,004,604</u>	
FUND BALANCE, JUNE 30	<u>\$ 897,945</u>	<u>\$ 1,161,444</u>	<u>\$ 263,499</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT			
Supervisor			
Salaries	\$ 13,000	\$ 13,000	\$
Supplies	50		50
Mileage	1,500	1,500	
Miscellaneous	2,000	840	1,160
Total Supervisor	<u>16,550</u>	<u>15,340</u>	<u>1,210</u>
Trustee			
Salaries	<u>6,000</u>	<u>6,000</u>	
Elections			
Salaries	6,500	2,517	3,983
Supplies	2,000	114	1,886
Printing and publishing	1,200	472	728
Total Elections	<u>9,700</u>	<u>3,103</u>	<u>6,597</u>
Assessing			
Salaries	26,800	26,795	5
Supplies	800		800
Total Assessing	<u>27,600</u>	<u>26,795</u>	<u>805</u>
Clerk			
Salaries	13,000	13,000	
Miscellaneous	100		100
Total Clerk	<u>13,100</u>	<u>13,000</u>	<u>100</u>
Treasurer			
Salaries	9,000	9,000	
Miscellaneous	200	23	177
Total Treasurer	<u>9,200</u>	<u>9,023</u>	<u>177</u>
Building and Grounds			
Salaries	8,800	6,701	2,099
Supplies	3,373	3,373	
Repairs and maintenance	6,401	6,983	(582)
Fuel	6,148	4,059	2,089
Utilities	5,000	5,075	(75)
Capital outlay	2,000	900	1,100
Property and land improvements	10,000	10,000	
Total Building and Grounds	<u>41,722</u>	<u>37,091</u>	<u>4,631</u>

TOWNSHIP OF ALAIEDON, MICHIGAN

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - Continued

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT - Concluded			
Cemetery			
Salaries	\$ 22,360	\$ 22,472	\$ (112)
Supplies	2,000	1,601	399
Repairs and maintenance	6,072	6,192	(120)
Travel	100	41	59
Fuel	1,500	1,546	(46)
Utilities	900	645	255
Capital outlay	2,000	1,300	700
Property and land improvements	100,000	300	99,700
Total Cemetery	<u>134,932</u>	<u>34,097</u>	<u>100,835</u>
Office			
Salaries	57,010	57,370	(360)
Supplies	3,000	2,703	297
Postage	7,623	7,623	
Attorney fees	24,636	28,513	(3,877)
Audit fees	4,500	3,700	800
Travel	3,000	2,381	619
Tax expense	1,000	889	111
Legal notices	4,000	1,385	2,615
Equipment and maintenance	16,000	14,686	1,314
Township dues	3,723	3,723	
Miscellaneous	1,700	896	804
Total Office	<u>126,192</u>	<u>123,869</u>	<u>2,323</u>
Board of Review			
Salaries	1,500	1,050	450
Miscellaneous	200	97	103
Total Board of Review	<u>1,700</u>	<u>1,147</u>	<u>553</u>
TOTAL GENERAL GOVERNMENT	<u>386,696</u>	<u>269,465</u>	<u>117,231</u>
PUBLIC SAFETY			
Building Inspection			
Salaries	21,285	21,310	(25)
Travel	1,509	1,509	
Supplies	600	386	214
Miscellaneous	500		500
Total Building Inspection	<u>23,894</u>	<u>23,205</u>	<u>689</u>
Planning Commission			
Salaries	5,340	5,340	
Consultant	15,000	12,824	2,176
Miscellaneous	500		500
Total Planning Commission	<u>20,840</u>	<u>18,164</u>	<u>2,676</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC SAFETY - Concluded			
Zoning Board of Appeals			
Salaries	\$ 1,500	\$ 340	\$ 1,160
Building Board of Appeals	300		300
Fire Prevention			
Fire runs	41,732	48,971	(7,239)
Stand by fees	38,000	36,806	1,194
Total Fire Prevention	79,732	85,777	(6,045)
TOTAL PUBLIC SAFETY	126,266	127,486	(1,220)
PUBLIC WORKS			
Road improvement	65,000	27,181	37,819
Plan review	1,000	133	867
Building inspection	6,000	5,811	189
Trash pickup	7,000	4,000	3,000
Recycling	7,000	3,080	3,920
Street lights	11,277	11,277	
Drain at large	9,566	9,566	
TOTAL PUBLIC WORKS	106,843	61,048	45,795
OTHER			
Township share of pension	5,500	4,306	1,194
Township share of FICA	13,000	11,726	1,274
Insurance - liability and bonding	15,000	13,849	1,151
Insurance - health	36,000	34,239	1,761
Workers' compensation	3,500	2,413	1,087
Miscellaneous	9,804	462	9,342
TOTAL OTHER	82,804	66,995	15,809
TOTAL EXPENDITURES	\$ 702,609	\$ 524,994	\$ 177,615

NONMAJOR SPECIAL REVENUE FUND

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

The Special Revenue Fund of the Township is: Mining Expendable Trust Fund.

TOWNSHIP OF ALAIEDON, MICHIGAN
BALANCE SHEET
SPECIAL REVENUE FUND
MINING EXPENDABLE TRUST FUND
JUNE 30, 2008

ASSETS

Cash and cash equivalents	\$ <u>4,312</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Deposits payable	\$ <u>3,000</u>
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FUND BALANCE

Unreserved	<u>1,312</u>
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**TOTAL LIABILITIES AND
FUND BALANCE**

\$ <u>4,312</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MINING EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES	
Interest	\$ 65
FUND BALANCE, JULY 1	<u>1,247</u>
FUND BALANCE, JUNE 30	<u>\$ 1,312</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MINING EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Interest	\$ <u> </u>	\$ <u> 65</u>	\$ <u> 65</u>
EXCESS OF REVENUES OVER EXPENDITURES		65	65
FUND BALANCE, JULY 1	<u> 1,247</u>	<u> 1,247</u>	<u> </u>
FUND BALANCE, JUNE 30	\$ <u> 1,247</u>	\$ <u> 1,312</u>	\$ <u> 65</u>

NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt other than that payable exclusively from revenue bonds issued for and serviced by a governmental enterprise.

The Township's Debt Service Funds are legal in nature. They are established in accordance with statutes and/or bond indentures. Their use enhances the attractiveness of bonds to prospective buyers resulting, possibly, in a lower rate of interest. Inclusion of Debt Service Fund provisions in the indenture indicates to the buyer that the timing of the acquisition of assets with which to satisfy maturing debt has been formalized and that a sophisticated administrative approach to servicing the debt will be followed.

The Township's Non-Major Debt Service Fund is the Road Assessment Bonds.

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

NONMAJOR DEBT SERVICE FUND

ROAD ASSESSMENT BONDS

JUNE 30, 2008

ASSETS

Cash and cash equivalents

\$ 16,511

LIABILITIES AND FUND BALANCE

FUND BALANCE

Reserved for debt service

\$ 16,511

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUND
ROAD ASSESSMENT BONDS
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES	
Interest	\$ <u>116</u>
EXCESS OF REVENUES OVER EXPENDITURES	116
FUND BALANCE, JULY 1	<u>16,395</u>
FUND BALANCE, JUNE 30	\$ <u><u>16,511</u></u>

NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources to acquire assets of a relatively permanent nature. These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors and other grantors of capital projects funds revenue that their requirements regarding the use of the revenue were fully satisfied.

The Township's Non-Major Capital Projects Funds include the Road Account, Water and Sewer Assessment, H&H Water Assessment and Fountain Pointe Assessment.

TOWNSHIP OF ALAIEDON, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2008

	ROAD ACCOUNT	WATER AND SEWER ASSESS- MENT	H & H WATER ASSESS- MENT	FOUNTAIN POINTE ASSESS- MENT	TOTAL
ASSETS					
Cash and cash equivalents	\$ <u>7,358</u>	\$ <u>3,137</u>	\$ <u>47,034</u>	\$ <u>33,566</u>	\$ <u>91,096</u>
LIABILITIES					
Due to general fund	\$ <u>1,000</u>	\$ _____	\$ _____	\$ _____	\$ <u>1,000</u>
FUND BALANCE					
Unreserved - undesignated	6,358				6,358
Reserved for capital projects	<u> </u>	<u>3,137</u>	<u>47,034</u>	<u>33,567</u>	<u>83,738</u>
TOTAL FUND BALANCE	<u>6,358</u>	<u>3,137</u>	<u>47,034</u>	<u>33,567</u>	<u>90,096</u>
TOTAL LIABILITIES AND FUND BALANCE					
	\$ <u>7,358</u>	\$ <u>3,137</u>	\$ <u>47,034</u>	\$ <u>33,567</u>	\$ <u>91,096</u>

TOWNSHIP OF ALAIEDON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	ROAD ACCOUNT	WATER AND SEWER ASSESS- MENT	H & H WATER ASSESS- MENT	FOUNTAIN POINTE ASSESS- MENT	TOTAL
REVENUES					
Interest	\$ 33	\$ 48	\$ 1,163	\$ 828	\$ 2,072
EXPENDITURES					
Public works					
EXCESS OF REVENUES OVER EXPENDITURES	33	48	1,163	828	2,072
FUND BALANCE, JULY 1	6,325	3,089	45,871	32,739	88,024
FUND BALANCE, JUNE 30	\$ 6,358	\$ 3,137	\$ 47,034	\$ 33,567	\$ 90,096

ENTERPRISE FUND

The Enterprise Fund is used for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Township Board is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Township Board has decided that periodic determination of net income is appropriate for accountability purposes.

WATER AND SEWER SPECIAL ASSESSMENT FUND Provides portable water for domestic, commercial and fire protection uses as well as sewage collection and treatment systems to treat and dispose of wastewater.

TOWNSHIP OF ALAIEDON, MICHIGAN
BALANCE SHEET
WATER AND SEWER SPECIAL ASSESSMENT FUND
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 128,329
Certificates of deposit	304,518
Accrued interest receivable	4,532
Special assessment receivable - current	<u>72,434</u>
TOTAL CURRENT ASSETS	<u>509,813</u>

PROPERTY AND EQUIPMENT

Less: accumulated depreciation	<u>(210,112)</u>
NET PROPERTY AND EQUIPMENT	<u>1,790,957</u>

OTHER ASSETS

Special assessment receivable	<u>869,214</u>
TOTAL ASSETS	<u><u>\$ 3,169,984</u></u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accrued interest payable	\$ 16,069
Lease payable	<u>105,000</u>
TOTAL CURRENT LIABILITIES	<u>121,069</u>

NONCURRENT LIABILITIES

Lease payable	<u>1,260,000</u>
TOTAL LIABILITIES	<u>1,381,069</u>

FUND EQUITY

Contributed capital	
Taxpayers	309,305

RETAINED EARNINGS

Reserved for debt service	<u>1,479,610</u>
TOTAL FUND EQUITY	<u>1,788,915</u>

TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 3,169,984</u></u>
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TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
WATER AND SEWER SPECIAL ASSESSEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES	
Special assessment	\$ _____
EXPENDITURES	
Depreciation	<u>40,021</u>
OPERATING LOSS	<u>(40,021)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest on special assessments	68,805
Interest on investments	15,647
Interest and fiscal charges	<u>(70,094)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>14,358</u>
NET LOSS	(25,663)
RETAINED EARNINGS, JULY 1	<u>1,814,578</u>
RETAINED EARNINGS, JUNE 30	\$ <u><u>1,788,915</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF CASH FLOWS
WATER AND SEWER SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from special assessments	\$ <u>184,296</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in investment	4,944
Special assessment interest income	68,805
Interest income	<u>15,489</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>89,238</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments	(105,000)
Interest and fiscal charges	<u>(71,203)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(176,203)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,331
CASH AND CASH EQUIVALENTS, JULY 1	<u>30,998</u>
CASH AND CASH EQUIVALENTS , JUNE 30	<u><u>\$ 128,329</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN
STATEMENT OF CASH FLOWS
WATER AND SEWER SPECIAL ASSESSMENT FUND - Concluded
FOR THE YEAR ENDED JUNE 30, 2008

RECONCILIATION OF OPERATING LOSS TO NET

CASH PROVIDED BY OPERATIONS

Operating loss	\$ <u>(40,021)</u>
Depreciation	40,021
Changes in assets and liabilities	
Decrease in special assessment receivable	<u>184,296</u>
 TOTAL NET ADJUSTMENTS	 <u>224,317</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ <u><u>184,296</u></u>

FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds are used to account for assets held by the Township as an agent for individuals, other governments, and funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

TRUST FUNDS

Trust Funds are used to account for assets held by the Township in a trustee capacity for individuals and other local units. Expendable Trust Funds are generally limited to instances where a formal legal trustee relationship exists and the principal and interest may be expended in the course of their designated operations.

The Townships Fiduciary Funds include Trust and Agency and Current Tax.

TOWNSHIP OF ALAIEDON, MICHIGAN
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>AGENCY FUNDS</u>		
	TRUST AND AGENCY	CURRENT TAX	TOTAL
ASSETS			
Cash and cash equivalents	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to general fund	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>
 FUND BALANCE			
Unreserved - undesignated	<u> </u>	<u> </u>	<u> </u>
 TOTAL LIABILITIES AND FUND BALANCE	\$ <u>10</u>	\$ <u> </u>	\$ <u>10</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Township Board
Township of Alaiedon
Mason, Michigan

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We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Alaiedon, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township of Alaiedon, Michigan's basic financial statements and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Alaiedon, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Alaiedon, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Alaiedon, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Alaiedon, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Alaiedon, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Township of Alaiedon, Michigan's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

07-1 SEGREGATION OF DUTIES

Due to the limited personal in the accounting department, the Township lacks segregation of duties over several areas, including cash receipting, journal entry processes, cash disbursements, and payroll processing. The limited size of the staff does not allow for segregating duties. The Township Board should be aware of these areas and attempt to establish procedures to minimize this lack of controls.

07-2 FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, we noted that the Township has not developed or implemented a fraud risk management program. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct.

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Due to the Township not developing a fraud risk assessment and monitoring program, it is unable to assess the Organization's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

We recommend that the Township develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of various techniques, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

08-1 PREPARATION OF FINANCIAL STATEMENTS

It is required that all Michigan governments prepare financial statements in accordance with U.S. generally accepted accounting principles (GAAP). This responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Historically, it has been common for many small to medium-sized governments to rely on the independent auditors to assist or prepare the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Township of Alaiedon. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

08-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

For the proper recognition of accrual accounting, material journal entries were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements, including the notes to financial statements in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend the Township take steps to ensure that material journal entries in recognition of accrual accounting are done before the audit is performed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Alaiedon, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Alaiedon, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

07-3 BUDGET

We noted during our audit examination no budget was adopted for the Mining Trust Fund. We recommend a budget be adopted each year for the Mining Trust Fund in accordance with the State of Michigan Public Act 2 of 1968.

We noted certain matters that we reported to management of the Township of Alaiedon, Michigan, in a separate letter dated October 24, 2008.

This report is intended solely for the information and use of management and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
October 24, 2008



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board
Township of Alaiedon
Mason, Michigan

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We have examined the financial statements of the Township of Alaiedon, Michigan, for the year ended June 30, 2008, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Township of Alaiedon. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the Township of Alaiedon is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our tests of the internal control procedures included evaluations of randomly selected samples of transactions from payroll, cash disbursements and cash receipts. Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

PRIOR YEAR RECOMMENDATIONS

We made the following recommendations concerning internal control weaknesses during prior year's audits:

CURRENT TAX FUND

During the audit, we noted that the current tax fund and trust and agency fund had some general ledger accounts that were not being reconciled. We recommend that all accounts in the current tax fund and trust and agency fund be reconciled by someone independent of the accounting for this fund. This will provide a reconciliation of tax monies and help to ensure that they are recorded properly. This recommendation is in the process of being implemented.

PRIOR YEAR RECOMMENDATIONS – Continued

CASH RECEIPTS

During our audit, we noted that the Township operates a trash collection operation and collects user fees. The fees are collected from residents and receipts are not provided. Aggregate cash collections are reported the next business day and a single receipt is prepared. We recommend that the Township official administering the collection prepare a receipt for each collection with a copy given to the resident. This procedure will strengthen the control over cash and provide an improved record of cash receipts. **This recommendation has not been implemented.**

GENERAL

We noted during the audit that there were several months where the bank reconciliation did not agree to the general ledger. We recommend that each monthly bank reconciliation agree to the general ledger. This will ensure the general ledger accuracy for all monthly transactions. **This recommendation has not been implemented.**

TRUST AND AGENCY

We noted during audit testing that checks were written for payroll taxes, health insurance and employee retirement contributions and entered into the general ledger before the cash receipt was entered into the computer from the general fund. We recommend that the check dates be dated after the current month cash receipts are posted. This will keep a positive cash balance in the trust and agency general ledger balance. **Management comment: This will be implemented during the current year. This has been implemented.**

BUDGET

We noted during our audit examination no budget was adopted for the Mining Trust Fund. We recommend a budget be adopted each year for the Mining Trust Fund in accordance with the State of Michigan Public Act 2 of 1968. **This has not been implemented.**

CURRENT YEAR RECOMMENDATIONS

EMPLOYEE FILES

During our testing, we noted that employee's W-4s were changed, but the computer system was not changed to reflect the new information in two cases. We recommend that the computer system be changed to reflect updated W-4 withholdings as soon as possible. This will ensure that employee withholdings are accurate. **Management response: One was changed in the computer system during the audit and the other will be reviewed and changed if necessary.**

CONTINGENCY PLANS

We noted during our audit that the Township does not have well defined, written disaster recovery procedures. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing EDP facilities. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- ? Location of, and access to, off-site storage.
- ? A listing of all data files that would have to be obtained from the off-site storage location.
- ? Identification of a back-up location (name and telephone number) with similar or compatible equipment for emergency processing. Management should make arrangements for such back-up with another company, a computer vendor, or a service center. The agreement should be in writing.
- ? Responsibilities of various personnel in an emergency.
- ? Priority of critical applications and reporting requirements during the emergency period.

Board and management response: This will be reviewed during the current year.

CURRENT YEAR RECOMMENDATIONS - Concluded

GENERAL

During our examination, it was noted that the cash deposit is not made daily. We recommend that cash deposits be taken to the bank more frequently. This would eliminate any large buildup of un-deposited cash in the office. This will provide better internal controls by segregating duties. **Board and management response:** This matter has been resolved during the current year.

CREDIT CARDS

We noted during our audit the high limit set for each of the Township issued credit cards. We recommend the amount be lowered from the current \$5,000. Each account should be reviewed and set to an appropriate monthly spending amount. This will improve controls in the accounts payable area. **Board and management response:** This will be reviewed during the current year.

ACCOUNTS PAYABLE

During our examination of internal controls in the cash disbursements area, we noted that the person who prepares accounts payable checks also prepares them for mailing. To help segregate these duties, we recommend the person preparing checks for mailing be separate from the person preparing the cash disbursements. **Board and management response:** This will be reviewed during the current year.

PROPERTY TAXES

We recommend that a random review and approval be performed monthly on property tax adjustments being made in the computer system. This will improve internal controls over the property tax area. **Board and management response:** This will be reviewed during the current year.

We are grateful to the Township employees for their assistance and cooperation extended to us during the audit.

Very truly yours,

Hayton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
October 24, 2008